

**BEFORE THE
PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



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Order Instituting Rulemaking Regarding
Policies, Procedures and Rules for the
California Solar Initiative, the Self-Generation
Incentive Program and Other Distributed
Generation Issues.

Rulemaking 12-11-005
(Filed November 8, 2012)

**PETITION OF PACIFIC GAS AND ELECTRIC COMPANY (U 39 E) FOR
MODIFICATION OF DECISION (D.) 10-01-022 TO ADDRESS CALIFORNIA
SOLAR INITIATIVE-THERMAL PROGRAM ADMINISTRATION BUDGET ISSUES
WITHIN PACIFIC GAS AND ELECTRIC COMPANY'S SERVICE TERRITORY**

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I. INTRODUCTION

In accordance with Rule 16.4 of the California Public Utilities Commission (CPUC or Commission) Rules of Practice and Procedure, Pacific Gas and Electric Company (PG&E) respectfully submits this Petition for Modification of Decision (D.) 10-01-022¹ to address California Solar Initiative (CSI)-Thermal Program administration budget constraints within PG&E's service territory. Similar to the authority granted to the Center for Sustainable Energy (CSE) in Decision (D.) 16-07-009, PG&E seeks authorization from the Commission to combine the market facilitation and program administration budget subcategories within the CSI-Thermal Program administrative budget.² This will provide PG&E with the flexibility to fund key administrative tasks and continue market facilitation activities as appropriate in a manner that helps ensure there is adequate funding to cover the costs necessary to complete the CSI-Thermal Program within PG&E's service territory.

II. REQUEST FOR LEAVE UNDER RULE 16.4(D)

PG&E respectfully requests leave under Rule 16.4(d) of the CPUC Rules of Practice and Procedure to file this Petition for Modification more than one year following the effective date of

¹ Decision Granting the Petition for Modification of the Center for Sustainable Energy on the California Solar Initiative-Thermal Budget (July 14, 2016).

² This Petition closely tracks the Petition requesting similar relief filed by CSE (CSE Petition for Modification or PFM) on December 3, 2015 and subsequently approved by the Commission on July 14, 2016.

D.10-01-022. D.10-01-022 established the CSI-Thermal Program in 2010. As CSE explained in their Petition for Modification, since that time the Program has been extended and modified with continually increasing duties, activities and scope without corresponding increases to the program administration budget.³

In the first half of 2016, PG&E developed and refined a budget projection model to better estimate the future CSI-Thermal program administration budget needs. It takes into account the significant program changes and expenditures to date, and incorporates the projected timeline and associated administration costs to implement the program until all projects are fully paid. The model forecasts that PG&E's remaining program administration budget, as currently allocated, is insufficient to cover the costs necessary to support the Program until all projects are fully paid within PG&E's service territory. In PG&E's response to the CSE PFM, PG&E had requested that the Commission authorize PG&E to request similar flexibility as that sought by CSE via an advice filing.⁴ D. 16-07-009 provides that "PG&E, in addition to supporting the Petition, suggested that the Commission extend to PG&E the ability to make the same request via a Tier 1 Advice Letter should PG&E find it prudent to do so in the future. In today's decision, we decline to address the additional issues raised by ORA and PG&E in their responses to CSE's Petition. Should PG&E seek similar relief as CSE or a particular procedural mechanism to request such relief, we will address the merits of its request at that time."⁵ Given this Commission direction, the need for this Petition for Modification was just confirmed and could not have been anticipated within one year of the effective date of D.10-01-022. As a result, PG&E respectfully requests leave under Rule 16.4(d) to file this Petition for Modification more than one year following that effective date.

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³ CSE PFM pp 1-2.

⁴ PG&E's response was filed on January 4, 2016.

⁵ D.16-07-009, pp 4-5.

III. SUMMARY OF RELIEF REQUESTED

PG&E's projections indicate that the remaining CSI-Thermal program administration budget, as currently allocated, is insufficient to cover the costs necessary to complete the Program within PG&E's service territory. To address this funding concern, PG&E respectfully requests modification of D.10-01-022 to obtain authorization from the Commission to combine the CSI-Thermal Program market facilitation and program administration budgets as approved for CSE in D. 16-07-009.

IV. BACKGROUND

As described by CSE in its PFM, "[p]ursuant to Assembly Bill (AB) 1470, D.10-01-022 established the CSI-Thermal Program to provide incentives for the installation of solar water heating systems in homes and businesses throughout the State through 2017, with a total program cost for the natural gas portion of the CSI-Thermal Program not to exceed \$250,000,000. D.10-01-022 adopted a natural gas incentive budget of \$205,000,000, a market facilitation budget of \$25,000,000, a measurement and evaluation (M&E) budget of \$5,000,000, and a program administration budget of \$15,000,000, the latter representing a mere 6% of the total budget."⁶

PG&E developed and refined a budget projection model during the first half of 2016. This budget projection model has enabled PG&E to estimate the remaining program administration budget as a function of time. As of June 30, 2016, PG&E has spent \$4,939,741 of the authorized \$5,850,000 natural gas CSI-Thermal program administration funds. Based on current projections, PG&E anticipates a shortfall in program administration funds starting in early 2017.

Given that AB 1470, codified in part as Public Utilities Code Section 2863, mandates that the natural gas portion of the CSI-Thermal program cannot exceed \$250,000,000, the Program is capped and the CSI-Thermal Program Administrators (PAs) are allowed to spend the entire authorized administrative budget amount, but not exceed it.

⁶ CSE PFM, p. 2, footnotes omitted.

V. RATIONALE FOR RELIEF REQUESTED

A. CSI-Thermal Program Administrative Duties have Increased While the Program Administration Budget has Stayed the Same

CSE did a good job of describing how the administrative responsibilities for the CSI-Thermal program have increased over the years. In CSE's recently approved PFM they relay:

During the initial years of the CSI-Thermal Program, significant additions and changes have been made to the Program, requiring substantial additional administrative time for program management and engineering tasks. These tasks require collaboration from all of the CSI-Thermal PAs . . . and these tasks are not specific to application volume or customer base percentage.

As expected at the beginning of a program, a significant amount of technical work needed to be completed to launch the CSI-Thermal Program; thus, substantial administrative and engineering time was spent by all four PAs to carry out these tasks. As mentioned previously, the CSI-Thermal Program initially provided incentives for solar water heating systems only and deferred the design of the low-income portion of the Program to a later Commission decision. That later Commission decision, D.11-10-015, came in the fall of 2011. The three natural gas PAs implemented the Decision and launched the low-income portion of the CSI-Thermal Program, which required significant changes to the Program handbook and application database.

Subsequently in 2012, CSI-Thermal Program rebates were increased, requiring further changes to the Program handbook and database. Then in 2013, three new end-uses and combination systems, as well as performance based incentives (PBI), were added to the Program, requiring technical input and more significant changes to the Program handbook and application database. Specifically, requirements for the three new end-uses and combination systems had to be created as well as the PBI process structure.

Also in 2013, Assembly Bill (AB) 2249 was implemented, expanding the CSI-Thermal Program to offer rebates for multifamily residential, governmental, educational, and nonprofit solar pool heating systems. This additional program offering was outside of the original scope and budget of the CSI-Thermal Program. Moreover, the solar pool heating system market is very different from the other solar thermal markets, and this implementation again required considerable technical time and effort . . . including the creation of a new rebate calculator for

solar pool heating systems. As with most CSI-Thermal program administration activities, this was a collaborative process amongst the PAs; The solar pool heating system program opened in December 2013. However, it soon became clear that significant changes were needed, including clarification of technical requirements and a reduction in rebate rates in 2014, both of which required further administrative work.

Lastly, in January 2014, Energy Division staff released a review of the CSI-Thermal Program, which indicated that current rebates were not sufficient to reach the Program goals. Consequently, during 2014, the PAs worked closely with the California Solar Energy Industries Association (CALSEIA) on a petition for modification to raise CSI-Thermal Program rebates once again and shift program budgets. This effort, and the subsequent implementation of these modifications, were large efforts for the PAs.⁷

The goal of these efforts is to increase the number of CSI-Thermal applications which will lead to the need for additional administrative resources to process the higher volume.

In addition, while the program is currently slated to stop accepting new applications on December 31, 2017, the need for program administration will continue beyond that point since applications coming in up until the deadline for multifamily and commercial projects will have an 18-month reservation period with the potential for a six-month extension. That takes the administration timeline for processing applications and payments to December 31, 2019. Finally, with regard to payment of performance based incentives, PG&E agrees with CSE⁸ that it is possible this timeline could be further extended through 2021.

Given all these factors and PG&E's recent analysis, PG&E requests that the Commission allow PG&E to combine the CSI-Thermal Program market facilitation and program administration budgets as the Commission approved for CSE in D.16-07-009.

B. There is Strong Precedent for Approval of this Request.

On July 14, 2016, the Commission approved D.16-07-009 granting CSE's petition seeking the same flexibility requested here by PG&E. In that decision, the Commission

⁷ CSE PFM pp 4-6, footnotes omitted.

⁸ CSE PFM p. 7.

acknowledged CSE's critical budgetary need to properly administer the CSI-Thermal program through its projected timeline. CSE's budget was shown to be insufficient to do so, and the decision authorized CSE to combine its CSI-Thermal Program market facilitation and program administration budgets. CSE's Petition details other instances where the Commission has granted similar flexibility.⁹ For example, in the CSI General Market Program, the Commission granted CSE's request to combine the marketing and outreach and program administration budgets in D.13-10-026. The Commission extended this authorization to PG&E and Southern California Edison Company (SCE) as well. ¹⁰ PG&E respectfully requests that the Commission take similar action here and grant PG&E's request for flexibility in combining and directing the CSI-Thermal Program market facilitation and program administration funds as discussed in this Petition.

VI. CONCLUSION

PG&E respectfully requests that the Commission expeditiously approve this petition to modify D.10-01-022 so that PG&E may combine and use the CSI-Thermal Program market facilitation and program administration funds at its own discretion in a similar manner as granted to CSE.

Respectfully submitted,

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⁹ CSE PFM pp 8-9.

¹⁰ D.13-10-026, Ordering Paragraph 2.